A TARIFF POLICY FOR A CREDITOR NATION CONSIDERED FROM A PROTECTIVE TARIFF POINT OF VIEW

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AT the outset let me say that a tariff policy cannot be determined by the phrase "creditor nation" or "debtor nation", for the reason that those phrases are not positive and definite. A nation cannot be a "creditor nation" or a "debtor nation" wholly for the same reason that an individual cannot be a creditor or debtor wholly. These terms are relative. A nation may be a creditor to one nation and a debtor to another, precisely as an individual is a creditor to one person and a debtor to another. Therefore no tariff policy can be affirmed on any such hypothesis. If an adequate protective tariff is sound in principle, it must apply to all industrial nations, no matter what their balance sheets may show. If a free trade or low tariff policy is sound, it must be beneficial to all nations, no matter what the temporary showing of their books may be.

The "creditor nation" theory is invented by those who fundamentally are opposed to a protective tariff of any sort. It is a variation of the ancient and long-exploded theory that trade between nations is nothing but barter, and that a nation must receive pay for its exports by receiving an equal amount of imports—the one approximately balancing the other. Free trade theorists repeat the old argument that a nation must buy merchandise if it expects to sell merchandise, that a large balance of trade in favor of a nation is a bad thing, to be corrected by larger importations.

On September 23, 1916, the *New York Evening Post* published an article by a Belgian free trader who reiterated the old free trade assumptions that "economic cooperation of peoples

is the fundamental principle of international morality"; that "economic morality is the positive and essential morality indispensable to harmony in international intercourse"; that "the first and fundamental manifestation of justice and morality in human relationship is freedom to exchange things necessary to physiological needs"; that the "establishment of artificial economic frontiers is an attack on international law and order"; that "the spirit of conquest is with protection, and the spirit of cooperation is with free trade"; and finally that "if aggressive protection continues to develop among the nations, there is no end of wars in sight". Prof. F. W. Taussig, the eminent free trader and former member of the United States Tariff Commission, once said: "The doctrine of free trade, however widely rejected in the world of politics, holds its own in the sphere of intellect." Such familiar free trade theories, assumptions and dogmas, uttered with a tone of finality and a spirit of intolerance, will not stand the test of experience. No classroom formula, no textbook theory, can take the place of what practical business men learn and know by experience. They are thoroughly familiar with the workshop, the payroll and bank credit.

One free trade theorist writes that "commerce or trade [meaning foreign trade], the real test of prosperity, is but a form of barter". This is not true. Commerce and trade is not mere barter. That it is not, accounts for its tremendous growth. Modern methods of business make international as well as domestic trade transfers of credits, representing the transfers of merchandise. Bills of credit, drafts, cable transfers and finally the shipment of gold to stabilize these credits, constitute the foundations of international commerce. They operate under inflexible laws, regardless of tariffs. Human wants and necessities control the currents of international trade. Nor is the progress and prosperity of a nation measured by what it sells abroad, but rather by what it consumes at home. This truth is exemplified and proved by the mere statement that during the many years of unparalleled prosperity in the United States since the Civil War, eighty per cent of our domestic merchandise produced and manufactured, was consumed

right here at home—in our own country. If this country cannot prosper now, as free traders claim, without a larger percentage of increase in exports, how is the prosperity of the United States during the last six decades (with a few notable exceptions) accounted for? If imports must be consumed in larger quantities in order to secure national prosperity, how is the prosperity of the past under protection, explained? If free trade or a low tariff, which is the same thing, is the only policy that will stimulate exports, how does it happen that our exports increased from $1,050 millions in 1897 to $2,204 millions in 1912—all under the policy of protection? During the fiscal year 1920 exports reached the enormous sum of $8,100,000,000 (stimulated largely by the war). Our free-trade friends argue that excess of exports must be paid for by larger imports—presumably the larger the exports the larger must be the imports. It is not difficult to see what the end of such a programme will be—so far as the United States is concerned.

I make these preliminary observations to meet the familiar free-trade arguments relative to the policy of protection, in its relation to foreign trade and commerce, and likewise to get a true vision of international trade from the point of view of the protectionist. The free trader places foreign markets first; the protectionist places domestic markets first. The free trader seeks first the markets of the world; the protectionist seeks first the home market.

The war and the tremendous increase in foreign trade, has not altered fundamental principles or changed human nature, as many free traders assume. No matter whether the United States is a "creditor" or a "debtor" nation, the principle of protection or the policy of free trade must rise or fall in the scales of human experience, not in the dictum of theory.

First, I wish to examine more carefully this phrase "a creditor nation". In justification of a low tariff or free trade, it is argued that since the war in Europe, the United States is a great creditor nation, and that other countries cannot pay their debts owing us, unless we continue a low tariff or make it still lower, and permit foreign countries to sell us more goods, regardless of whether they are competitive or non-competitive.

A distinguished New York economist has figured it out that the world's debt to the United States is about twelve billion dollars. Necessarily many of his figures are largely estimates. I have attempted to procure from official sources in the Treasury Department some information along these lines, but the officials say they have none. However, I ascertained from the president of a well-known American railroad whose office is in New York City, that on January 31, 1915, there were $2,704,402,000 in American railroad securities held abroad. Between that date and January 31, 1917, $1,518,590,000, or 56 per cent, were returned to the American markets. Of course these are only railroad securities; but if the 56 per cent return rule holds good in other securities (and it is a fairly accurate assumption), of the estimated $5,000,000,000 we owed abroad in 1913, about $2,800,000,000 has been returned and sold, the balance, about $2,200,000,000, still remaining drawing interest or dividends.

Between July 1, 1914 and July 1, 1920, six fiscal years, the United States exported merchandise to the value of $34,400,000,000, and imported merchandise to the value of $17,100,000,000; exported gold to the value of $1,500,000,000 and imported gold to the value of $1,900,000,000; exported silver to the value of $740,000,000 and imported silver to the value of $360,000,000. It is estimated that during this period American citizens made private loans or investments abroad amounting to $2,000,000,000.

The debit items during this period are estimated: Alien hoards in this country $4,000,000,000 (on the authority of the Director of the Department of Labor in July, 1919); gold deposits of foreign countries $740,000,000; other bank credits $310,000,000; interest and dividends $200,000,000 annually or $1,200,000,000 for the six years; tourist expenses $1,000,000,000; ocean freights $1,200,000,000; insurance, premiums and commissions $500,000,000.

Total credits. . . .	$41,440,000,000
Total debits	33,310,000,000
Credit balance . . .	$8,130,000,000—not $12,000,000,000 as claimed.

PERIOD 1914 TO 1920
(In millions)

	Cr.	Dr.
Merchandise	$34,400	$17,100
Gold	1,500	1,900
Silver	740	360
Foreign investments	2,800	5,000
Private loans	2,000	.
Alien hoards	. .	4,000
Foreign gold	. .	740
Bank credits	. .	310
Interest and dividends	. .	1,200
Tourist expenses	. .	1,000
Ocean freights	. .	1,200
Insurance, premiums and commissions	. .	500
	$41,440	$33,310

I have not taken into consideration at all the nearly $10,000,000,000 credits advanced to foreign countries during the war, of which Great Britain received about $4,277,000,000, for the reason that they are of doubtful value, first because not even the interest has been paid, and second because Great Britain declines to pay back her part until the other countries to which she loaned, pay up. Furthermore, there are many indeterminate credits which European countries claim as offsets. For the present, these vast credits cannot be taken into serious consideration. There is a strong probability that the great bulk of them will be written off as "war losses" which the people of the United States will have to bear. As the figures now stand, the financial transactions of the United States between July 1, 1914 and July 1, 1920, so far as foreign countries are concerned, show that the United States is a creditor nation to the extent of $8,130,000,000—nominally.

But creditor to whom? A creditor to the rest of the world. Yet the United States is not a creditor to all countries with which it trades. During the six years (1914 to 1920), the United States was a creditor nation to Europe and North America, but a debtor nation to South America, Asia-Oceanica and Africa. Therefore, as I stated at the outset, it is inaccu-

rate to say that the United States in its foreign trade and foreign financial relations, is a creditor nation wholly. Here are the figures:

PERIOD 1914 TO 1920
(In millions)

	Imports.	Exports.
Europe	$3,582	$20,004 plus.
North America	4,610	5,844 plus.
South America	2,873	1,509 minus.
Asia-Oceanica	4,385	2,932 minus.
Africa	384	328 minus.

The United States has been a "creditor nation", if by that is meant excess of exports over imports, every year from 1874 to 1920, with the exception of three years—1875, 1888 and 1889. Nevertheless it was a creditor nation to some nations and a debtor nation to others.

Everybody knows that the tremendous excess of exports over imports of merchandise during the last six years, was due to the European war. Our export trade began to assume large proportions in 1915. Imports of gold did not square accounts, yet there was no uneasiness since it was known that Europe was, at least temporarily, fortified by the large amounts of credits and American securities sent abroad for many years, to pay for interest dues, alien hoards, tourist expenses and freights. In 1913, it was estimated that these debts sent abroad amounted to $1,400,000,000 a year. Lloyd George boasted that England would finance the war out of her foreign investments. Little or no American cash went into foreign loans in 1917 or after. They were credits offset largely by European investments in the United States, technically called "the invisible balance". English bankers were making private loans in the United States, it is authoritatively stated, when the United States Government was making loans to the Allies. Canadian and English bankers were placing large credits in New York, and money rates were lower in London than in New York. It is not reasonable to suppose that, after financing our own

war, we had a surplus of nearly $10,000,000,000 to invest in foreign loans.

The war cost the United States $32,000,000,000 including the credits to foreign countries, or $22,600,000,000 net. Charging off the credits to foreign countries as "war losses", what do the figures show?

Ordinary receipts July 1. 1917 to July 1, 1919 . .	$5,200,000,000
Raceipts from bonds and notes *etc.*	19,400.000,000
Total	$24,600,000,000
Cost of war est.	22,600,000,000
Balance	$2,000,000,000

The net balance during these two years was reduced materially by ordinary expenses, cost of collection, advertising and many other items. The balance between the net receipts for the two war years and the cost of the war was not more than $2,000,000,000, under the most liberal estimates. Where did the United States get the ten billion credits claimed to have been advanced to foreign countries? The surplus was not large enough by at least seven billion dollars. This demonstrates that the United States is not the "creditor nation" to the extent claimed.

The fact that no interest has been paid, and no great effort is being made to collect, is an indication that these large credits were offsets—not cash advances, except in some instances. There were some credits for food supplies to countries having no credits in this country, but not many. Therefore the nearly $10,000,000,000 advanced is not a very good credit. It does not make the United States a creditor nation to that extent.

If the foreign trade of the United States during the six years —1914 to 1920—was normal and healthy, why did not gold come into the country sufficient to balance? On the contrary in 1919, there were large exports of gold, resulting in a money panic in November of that year. Call money went up to 20 per cent. The *New York Evening Post* said: "The country has for a year past been exporting more gold than it has imported, and it has been increasingly difficult to maintain the

Federal Bank reserves." The Federal Reserve Board had the power to check the export of gold, but it did not exercise it, for the reason that little gold belonged to the bank or the government. The Federal Reserve Bank faced an export of gold and a panic the first seven months of 1914, and, but for the war and a gold pool, there would have been serious trouble. In 1919, when our exports to Europe were the highest, gold exports increased rapidly. Where did they go? To pay for imports from the Orient and South America, where we were a "debtor nation". In the fiscal year ending June 30, 1920, we exported $460,000,000 in gold. The great bulk went to Argentina, Japan, Hongkong and China. Of the $150,000,000 in gold imported, most of it came from England, Canada and Hongkong. Practically all of our stock of gold belonged to foreigners or was exported to the Orient or South America.

If we are a "creditor nation" to such an extent as to compel us to invest in foreign securities to balance accounts and to enable foreign countries to sell us still larger amounts of merchandise, why did we export nearly $300,000,000 in gold in the calendar year 1919, when the trade balance in our favor was $4,467,000,000? Trade balances may be in our favor, but balances of payments may not be. According to the *New York Evening Post,* the money situation in New York during February, 1920, was the worst in many years, "due to exports of gold"; yet the balance of trade was largely in our favor. Trade balances were settled with those "invisible credits" which cut such a large figure. Balances of trade do not necessarily measure our credits. They form no measure of our ability to invest in foreign securities. They are no indication that imports must be stimulated to reach a safe balance.

Thus it is reasonably certain that even the apparent credit of $8,130,000,000 at the close of the six years' transactions on July 1, 1920, is too large an estimate.[1] The foreign debt due the United States is not so great as to cause undue anxiety. If the United States Treasury is not worried, free-traders need

[1] The Secretary of the Treasury estimates this credit balance was between 3 and 3½ billion dollars in September, 1920. See 1920 *Report*, p. 77.

not urge the necessity of larger imports of merchandise to balance the debt.

In the face of these conditions it is said by the free traders that our imports must increase to save the nation and permit foreign countries to pay their debts. By foreign countries they mean Great Britain, France, Italy, Belgium, Czechoslovakia, Greece, Rumania and Serbia. To all other foreign countries we have been a debtor nation.

Of the eight countries mentioned, only four may be considered seriously—perhaps only three—Great Britain, France and Belgium—unless Germany may be rehabilitated industrially more rapidly than is anticipated.

For the nine months of 1919 and 1920, imports of merchandise from these countries were:

	1919	1920 (In millions)
Great Britain	177.7	434.0
France	73.2	130.0
Belgium	2.9	35.8
Germany	2.7	67.7

The increase in imports has been from 200 per cent to 1,200 per cent. However, the largest imports (with the exception of Great Britain) were from the Orient: China, 105.8 and 169.9 millions, and Japan, 272.3 and 366.1 millions in 1919 and 1920 respectively. Are not these increases in imports sufficient to cause anxiety on the part of protectionists, as well as other Americans?

Is our balance of trade with Europe, in our favor, too large? If so, should exports be reduced or imports increased? The low rate of exchange in Europe discourages exports to, and encourages exports from, Europe. The English pound is worth today, in American money, about $3.45; the French franc about $.06; the German mark about $.015. English, French or German merchandise can be purchased with depreciated money of those countries, sent to the United States, the duty paid, and the proceeds in American money turned back into foreign depreciated money, yielding a handsome profit to the foreigner or importer. Hon. Leslie M. Shaw offers this illustration: "Before the enactment of the present tariff law,

the German merchant (or his importing agent in this country) who brought to America merchandise worth in the German market the equivalent of $100 in our money, paid an average duty of nearly 23 per cent into the Treasury of the United States, and was able to return to Germany with a little over 300 marks, minus freight and commissions. Under present conditions, he can bring to America German goods worth in his market the same equivalent, pay his tariff duty of 6½ per cent, sell in our market, exchange it for marks, and return with nearly or quite 3,000 marks. Had it not been for the German embargo on foodstuffs, the importers of German wheat into the United States could have made a handsome profit." Free traders and internationalists figure that this low rate of exchange will bring large quantities of foreign merchandise to our shores, thus enabling Europe to buy of us what she must have. They fail to see that if America imports from Europe a year's supply of merchandise, American labor will be thrown out of employment. This is what is taking place now. A protective tariff is needed to save the United States from industrial stagnation.

Illustrating the present tendency toward free trade and internationalism, and the utter failure on the part of some high government official to approach the vital problems along American lines, let me quote from a statement issued by the Federal Reserve Board only five days ago, touching what it characterizes as "a return to the normal economic basis of international and industrial life". The Board says in substance:

The slowing down of the export trade of the United States during the year is attributed in some measure to the exchange situation, which has steadily deteriorated. American exports seem to be closely conditioned upon the volume of imports, and warrant the inference that there should be a larger movement of goods into the United States as a result of the extensive credits granted foreign countries.

In other words it is urged that American industries should be crippled still further by larger imports, whereas imports this year will reach nearly $6,000,000,000, and unemployment is on the increase! The actual net credits granted foreign countries are not sufficiently large to warrant an increase of imports

beyond the already stupendous figure of six billion dollars! The total domestic exports of raw materials, foodstuffs and food animals for the ten months ending October 30, 1920, were $1,600,000,000. The export of domestic manufactured goods for the same period were $2,600,000,000—nearly $500,000,000 more than a year ago. Imports of raw materials and food products during the same period were valued at $1,500,000,000 and imports of manufactured goods were valued at $757,000,000. Certainly the problem of national prosperity and safety is not solved by such enormous exports and correspondingly large imports.

Free traders contend that if exports increase, imports must increase in the same proportion. Yet the exports for the ten months of 1920 exceeded the exports for the ten months of 1919 by $700,000,000, while the imports for the ten months of 1920 exceeded the imports of 1919 by only $330,000,000. But imports must increase proportionately with the exports, to harmonize with the free trade theory.

It is certain that the enormous increase in exports to Europe must decline soon. Artificial stimulation of exports may prove a peril. If exports are forced to the point of non-absorption or non-payment, simply for the sake of finding foreign markets for American merchandise, there is a day of reckoning ahead that bodes no good. Somebody must pay for this merchandise—either the European consumer or the American investor in these foreign securities. But will not these American investors meet their own credits coming back in the shape of European merchandise in competition with similar American merchandise? If such importations of European merchandise interfere with or check American production, every American citizen investing in European credits will feel the blight. Extension of credits to foreign countries through the so-called Edge bill will do more harm than good if not accompanied by a restoration of protection.

It is argued by the free trader and the man who seeks first the "markets of the world", that this country has been and is producing a large surplus which it must sell abroad. How can there be any such thing as a surplus when in the ten months of

this calendar year, we imported foreign merchandise to the value of $4,692,000,000? Our imports of foreign merchandise will exceed $6,000,000,000 this year. What are some of the principal imports? Animals, breadstuffs, raw cotton, manufactures of cotton, fish, glass and glassware, machinery, iron and steel, leather and manufactures of leather, dairy products, meats, vegetable oils, manufactures of silk, sugar, toys, wheat, manufactures of wood, wool and manufactures of wool. Nearly all of this merchandise is in competition with similar American merchandise.

Protection Must be Restored

There are two fundamental reasons why an adequate protective tariff should be restored by Congress. One is that the balance of trade in our favor is sure to turn against us, if the present rate of increase in importations is maintained. When that time comes there should be ready at hand and prepared a highly developed home market. One thing contributing to the great volume of exports is the under-consuming power of the American people due to a let-down after the fever of the war, unemployment, and the steady decline in prices as well as wages. Many American mills and factories are running on short time or are shut down, because of lack of orders. This means unemployment. To add to the calamity, foreign merchandise is flooding the American markets and supplanting American goods. The wool and woolen industry is flat. The cotton and cotton manufacturing trade is hard hit. The free trader says: Cultivate foreign markets; build ships and send American merchandise to every country on the globe. The protectionist says: Check the importation of foreign competitive merchandise, keep our own mills and factories running and employ American labor. When the purchasing power of the American wage-earner is restored and unemployment checked, there will be less surplus to send abroad. Take care of the home markets first. It is well to observe that free traders or internationalists fear that a continuance of Europe's adverse balance of trade with the United States may bring about disastrous results. The situation in Europe is very similar to the

situation in the United States during and after the Civil War. From 1860 to 1876 with one exception (1875) the balance of trade was against the United States, and gold was exported in large quantities. Steady production, the policy of protection and the resumption of specie payments, turned the tide, and from 1876 the balance of trade was in favor of the United States. Now that Great Britain has turned toward the policy of protection, it may be that the balance will be more favorable to her.

Free traders well might take a leaf from British history. Soon after the Napoleonic wars, Great Britain started out to capture the markets of the world. She succeeded, but also she succeeded in wrecking the industrial stamina and morale of England. Under free trade Great Britain sacrificed her industrial population, and sapped the life-blood out of her wage-earners, until the whole industrial part of the country was anemic. Wages were low. Poverty was wide-spread. Her agriculture was neglected for the markets of the world. England apparently prospered until 1914, when she found herself face to face with war. On the one hand was an impoverished industrial population, on the other a powerful enemy. England was forced to promise her wage-earners emancipation from starvation wages or they would not fight for the realm. Lloyd George capitulated. In 1917 free trade England stood, as General Haig expressed it, with her back against the wall. Then powerful, protection America came to her rescue, saved England, Europe and Anglo-Saxon civilization. The industrial and economic strength of the United States under a policy of protection, won the war. Is the United States prepared to repeat the mistake of free trade England, and sacrifice her home markets, her domestic wage-earners, on the altar of "the markets of the world"? It is as certain as that the sun will rise tomorrow, that if the United States permanently abandons the policy of protection and launches upon an international policy of "world markets" above all else, in less than a decade there will be no such thing as an American standard of wages or an American standard of living. But, says the free trader or low-tariff advocate, since the war, wages in Europe, especially Eng-

land, have advanced to the American standard. Have they? Then the official reports of the United States Bureau of Labor are false. I have made a study of these reports for the past eight months, and find that European wages are still about one-half or two-thirds of American wages, while wages in Japan are about one-tenth the wages in the United States.

If American manufacturers and producers are to go out into the markets of the world, they must meet the cost of production in the lowest industrial country so far as competitive merchandise is concerned. It is perfectly obvious what that means —to American labor. The free trader or low-tariff man, argues that the policy of protection is sectional—it benefits the industrial east alone. Nothing of the sort. It benefits the great middle west teeming with industrial cities. It benefits the south with its growing factories. It benefits the farmer, for it gives him the best market in the world—the home market. Farmers should bear in mind that under the policy of protection from 80 to 90 per cent of our domestic wheat is consumed at home, and from 90 to 95 per cent of our domestic corn. This is in normal times. The farmers of the country, and representatives of farm organizations, growers of wool and cotton, are besieging Congress and asking for relief from low prices and stagnant markets or no markets at all. They want the War Finance Corporation to be put in operation to help keep up prices and aid the farmers in their dilemma. It is an unfortunate situation, but a revival of the War Finance Corporation will bring only temporary relief, if any. This corporation will be compelled to borrow money of the United States government or treasury, and lend it to the banks and exporters of farm products.

Since the war the government has retired from the banking business (except in so far as the Federal Reserve System is a government agency) and should remain retired. Is it good business for the United States government, already burdened with a tremendous debt and facing a large deficit, to add to that debt and increase the burdens of the whole people? Of course farm products are declining in price just as everything else is declining, or will decline soon. It is the national re-

cuperation after the war fever. Declining prices is only another way of stating that the purchasing power of the American dollar is being restored slowly. The rise in prices during the last six years demonstrates clearly that protection does not increase prices and that the tariff is not a tax on the consumer. We have had a low tariff since 1913, yet prices have advanced to an unparalleled degree, and the cost of living has soared to the highest point ever reached. Supply and demand operates always; and in the case of farm products, the supply in the United States has increased while the purchasing power of the people has declined. Large imports of wool, cotton, wheat and all sorts of foreign farm products, have met the American products in a weak or declining domestic market. What is the remedy? A reduction in the supply by checking imports of competing foreign products.

America is attempting to build up a merchant marine. The government has spent more than three billion dollars in this venture, and the problem is not yet solved. Why? Because thus far the policy of the government has been that of free trade in the ocean-carrying business. With its large investment and its many ships, both leased and operated by the United States Shipping Board, the government is losing money, because it is in competition with the ships of the world. The policy of protection by discriminating duties and tonnage dues, is the only policy that will permanently restore our merchant marine on the high seas, and make voyages profitable. The policy of protection on land will give outward cargoes to our own ships; discriminating dues and import duties will assure them return cargoes. America's coastwise trade is prosperous because it is protected from foreign competition.

"Adequate protection" not "a high tariff" is the correct phrase to use. The amount of the import duty must be determined by costs of production at home and abroad. Since 80 per cent of the cost of production usually is labor, the protective tariff becomes a matter of wages; for despite all claims to the contrary, wage-earners are the greatest beneficiaries of that policy. Whether the United States is temporarily a creditor nation to England and to France, or a debtor nation to

Argentina and Japan, makes no difference; neither condition has anything to do with the fundamental principle of protection.

The only new and serious factor entering the problem of tariff-making arising out of the war, is the low rate of exchange which makes the cost of production in foreign competitive countries so low, when measured in gold, as to practically nullify a protective tariff. Some plan should be devised to overcome this.

Protection as a principle does not interfere with profitable foreign trade. It takes no accounts of credits or debits with the several nations of the world. It does not seek to check imports unless such imports supplant similar domestic merchandise and rob the domestic wage-earners of an opportunity to produce the same merchandise, thereby earning a livelihood. Protection seeks to promote exports, for it pays back to the importer, all but one per cent of the duty he has paid on foreign merchandise re-exported.

Protection is a source of revenue, notwithstanding the nation now talks only in billions. Revenue from customs has been averaging about $250,000,000 annually. There is no reason why customs receipts should not be doubled—perhaps more—with little or no diminution in the volume of competitive imports. If $500,000,000 or $600,000,000 is raised from customs, that amount in direct taxation can be eliminated.

Let me recapitulate my argument:

1—A favorable balance of trade does not necessarily mean a corresponding favorable credit.

2—Abnormal exports induce abnormal imports, under a low tariff.

3—The prosperity of a nation is measured, not by what it sells abroad, but by what it produces and consumes at home.

4—Under-consuming power of our people, and abnormal imports, are the economic evils today.

5—The remedy is a checking of competitive imports by adequate protection.

6—Then will follow a restoration of employment, larger consuming power among our people, and a home market better than any foreign market.

7—Such a programme will not interfere with normal exports, nor check profitable imports. It will bring normal and permanent prosperity at home—the spot in which we should be interested the most.

The policy of protection appeals to the sentiment of patriots, the logic of human events and the necessities of life. It is a broad and national application of a great principle laid down in the Mayflower Compact, the Declaration of Independence, the Federal Constitution and the Monroe Doctrine. It has stood the test of time and experience.

The tariff policy of the United States should be such as to give our domestic manufacturers, producers and wage-earners, the benefit which comes from home industries and home markets. Such a policy is not one of "splendid isolation". The United States commercially, never has been and never can be, in a position of "splendid isolation". Foreign trade has progressed under protection as well as free trade, under debit as well as credit conditions. Such a policy is not a burden on the consumer, since all are producers or consumers, unless prisoners or drones. Every country, in the long run, must produce more than it consumes or travel straight toward bankruptcy. Protection encourages production; free trade encourages consumption.

Often it is said that nationalism is the cause of wars, the false note in human brotherhood and a synonym for selfishness. On the contrary it is true Americanism. When the spirit of nationalism disappears, the world is on a decline. When nationalism falls, the nation falls. Let me quote from an excellent article on "The Significance of Nationalism", by a distinguished educator and real American. He says: "Nationalism has its faults, yet it has been the greatest inspiring, transforming force in history. It promulgates religions, transforms national habits into great ethical systems; it immortalizes language, gives sacredness to literature, inspires poetry, sets throbbing the harp-strings of a people's melodies."

The policy of adequate protection is nationalism translated into terms of economic science.